



State Board of Equalization

News Release

Betty T. Yee, Member

1st District – San Francisco

Kristine Cazadd
Interim Executive Director
www.boe.ca.gov

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**Contact: Alan LoFaso
916-445-4081**

Betty T. Yee Praises Senate Passage of Hancock Fairness Bill

Measure Could Collect \$1.2 Billion in Uncollected Tax from Online Retailers

Betty T. Yee, First District Member of the Board of Equalization (BOE), hailed Senate passage of legislation authored by Senator Loni Hancock (D-Berkeley) extending state authority to enforce tax obligations to online retailers, as authorized by federal law. The bill, SB 234, which is sponsored by Board Member Yee, was approved yesterday on a 22-17 vote.

“Requiring out-of-state online retailers to collect tax on purchases by California consumers is the most effective and fair means for addressing California's \$1.2 billion use tax gap,” Yee said. “Equal application of tax laws to both online and locally-based retailers is the most effective way to protect local jobs as well as local education, health, and public safety services.”

California consumers owe use tax on purchases from out-of-state retailers, and retailers with legal connections, or "nexus," to California are legally obligated to collect the tax also. BOE efforts to collect use tax directly from customers have had limited success and have been burdensome to online consumers. This problem is the most significant cause of the state's sales and use tax gap, the difference between taxes owed and taxes paid, estimated by BOE to be \$1.2 billion per year.

“This bill will create a fair playing field for businesses in California,” SB 234 author Hancock said. “Out-of-state companies that are benefiting from sales in California shouldn't be exempt from doing what every other California retailer does -- collect and pay sales tax. There is no reason they should be treated differently.”

Board Member Betty T. Yee was elected to her post in November 2006. She is the Immediate Past Chairwoman representing the First Equalization District. Her district includes many of California's coastal counties, from Del Norte to Santa Barbara, and includes the entire San Francisco Bay Area.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$48 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

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